

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Benton	County Eaton
Fiscal Year End June 30, 2007	Opinion Date September 11, 2006	Date Audit Report Submitted to State October 12, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

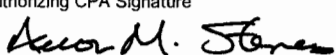
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Township of Benton
Eaton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

Township of Benton
Eaton County, Michigan
June 30, 2007
BOARD OF TRUSTEES

Joseph Bullen	Supervisor
Martha Halsey	Clerk
Judith Locke	Treasurer
David Rhodes	Trustee
Mark Ewing	Trustee

Township of Benton
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Principals

Dale J. Abraham, CPA
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Benton
Pottersville, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Benton, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Benton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Benton as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 11, 2007

Township of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The following is a discussion and analysis of the Township of Benton (the Township's) financial performance and position, providing an overview of the activities for the year ended June 30, 2007. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- State shared revenue, the Township's largest revenue source in the General Fund, was approximately \$185,935 this year.
- Total fund balances related to the Township's governmental funds increased by \$57,917.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Benton as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Benton in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2006 and June 30, 2007.

	Years Ended June 30,	
	<u>2006</u>	<u>2007</u>
Assets		
Current assets	\$ 705,401	\$ 759,234
Capital assets, net	<u>391,090</u>	<u>373,435</u>
Total assets	1,096,491	1,132,669
Liabilities		
Current liabilities	20,921	16,837
Net Assets		
Invested in capital assets	391,090	373,435
Unrestricted	<u>684,480</u>	<u>742,397</u>
Total net assets	<u>\$ 1,075,570</u>	<u>\$ 1,115,832</u>

The Township's total net assets were \$1,115,832 at June 30, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$742,397 at the end of the fiscal year. The net assets invested in capital assets were \$373,435.

Township of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The following table shows the changes in net assets for the year ended June 30, 2006 and June 30, 2007.

	Years Ended June 30,	
	<u>2006</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 44,232	\$ 45,809
Operating grants and contributions	-	3,577
Capital grants and contributions	4,800	-
General revenue:		
Property taxes	82,090	86,853
State shared revenue	185,721	185,935
Investment earnings	15,952	20,236
Other revenue	<u>25,943</u>	<u>272</u>
Total revenue	358,738	342,682
Program Expenses		
General government	178,385	173,851
Public safety	92,762	98,549
Public works	54,662	24,209
Community and economic development	1,972	1,549
Recreation and cultural	<u>4,350</u>	<u>4,262</u>
Total program expenses	<u>348,409</u>	<u>302,420</u>
Change in Net Assets	<u>\$ 10,329</u>	<u>\$ 40,262</u>

Governmental Activities

The Township's governmental revenues totaled \$342,682 with the greatest revenue sources being property taxes and State Revenue Sharing. Property taxes and State Revenue Sharing make up approximately 26% and 55% percent, respectively, of total governmental revenue. The Other revenue category has decreased due to a reimbursement from the State for damages due to the emerald ash borer in the prior year.

The Township incurred expenses of \$302,420 during the year. The majority of governmental expense is associated with the general government function, which includes Township Board, Supervisor, Clerk, and Treasurer. The second highest level of expense is incurred in the public safety area, which includes fire services.

The Township's Funds

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant fund, not the Township of Benton as a whole. The Township of Benton's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major fund for the fiscal year ended June 30, 2007 was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general government activities, which incurred expenditures of \$146,603 for the fiscal year.

Township of Benton

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of various minor increased costs over certain budgeted line items. However, because all departments came in under budget at year end, there was an overall favorable variance for expenditures of approximately \$145,185 from budget.

Capital Assets

At the end of the fiscal year, the Township had approximately \$373,435 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, land, and equipment. In addition, the Township has made certain investments in roads and drains within the Township of Benton.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. With the increase in assessments, the loss has been equal to our loss of revenue in the past, but we cannot withstand a reduction in revenue sharing.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (517) 645-7880.

BASIC FINANCIAL STATEMENTS

Township of Benton
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 316,562
Investments	405,421
Prepays	8,150
Due from other governmental units	<u>29,101</u>
Total current assets	759,234
Noncurrent assets	
Capital assets not being depreciated	34,452
Capital assets, net of accumulated depreciation	<u>338,983</u>
Total noncurrent assets	<u>373,435</u>
TOTAL ASSETS	1,132,669
LIABILITIES	
Current liabilities	
Accounts payable	10,369
Accrued wages	6,435
Due to other governmental units	<u>33</u>
TOTAL LIABILITIES	16,837
NET ASSETS	
Invested in capital assets	373,435
Unrestricted	<u>742,397</u>
TOTAL NET ASSETS	<u><u>\$ 1,115,832</u></u>

See accompanying notes to financial statements.

Township of Benton
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 173,851	\$ 45,809	\$ -	\$ (128,042)
Public safety	98,549	-	-	(98,549)
Public works	24,209	-	3,577	(20,632)
Community and economic development	1,549	-	-	(1,549)
Recreation and cultural	4,262	-	-	(4,262)
Total governmental activities	<u>\$ 302,420</u>	<u>\$ 45,809</u>	<u>\$ 3,577</u>	(253,034)
General revenues:				
Property taxes				86,853
State revenue sharing				185,935
Investment earnings				20,236
Other				<u>272</u>
Total general revenues				<u>293,296</u>
Change in net assets				40,262
Net assets, beginning of the year				<u>1,075,570</u>
Net assets, end of the year				<u>\$ 1,115,832</u>

See accompanying notes to financial statements.

Township of Benton

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 269,153	\$ 47,409	\$ 316,562
Investments	405,421	-	405,421
Prepays	8,150	-	8,150
Due from other governmental units	29,101	-	29,101
TOTAL ASSETS	\$ 711,825	\$ 47,409	\$ 759,234
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10,369	\$ -	\$ 10,369
Accrued wages	6,435	-	6,435
Due to other governmental units	33	-	33
TOTAL LIABILITIES	16,837	-0-	16,837
FUND BALANCES			
Reserved for prepaids	8,176	-	8,176
Reserved for cemetery care	-	47,409	47,409
Unreserved			
Undesignated, reported in General Fund	686,812	-	686,812
TOTAL FUND BALANCES	694,988	47,409	742,397
TOTAL LIABILITIES AND FUND BALANCES	\$ 711,825	\$ 47,409	\$ 759,234

See accompanying notes to financial statements.

Township of Benton

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - governmental funds \$ 742,397

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	529,661	
Accumulated depreciation is	<u>(156,226)</u>	
Capital assets, net		<u>373,435</u>
Net assets of governmental activities		<u><u>\$ 1,115,832</u></u>

See accompanying notes to financial statements.

Township of Benton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2007

	General	Nonmajor Cemetery Perpetual Care	Total Governmental Funds
REVENUES			
Taxes	\$ 116,839	\$ -	\$ 116,839
Licenses and permits	5,575	-	5,575
Intergovernmental	189,512	-	189,512
Charges for services	6,248	4,000	10,248
Interest	20,005	231	20,236
Other	272	-	272
TOTAL REVENUES	338,451	4,231	342,682
EXPENDITURES			
Current			
General government	146,603	-	146,603
Public safety	92,496	-	92,496
Public works	22,722	-	22,722
Community and economic development	1,454	-	1,454
Recreation and cultural	4,000	-	4,000
Other	17,490	-	17,490
TOTAL EXPENDITURES	284,765	-0-	284,765
NET CHANGE IN FUND BALANCES	53,686	4,231	57,917
Fund balances, beginning of year	641,302	43,178	684,480
Fund balances, end of year	\$ 694,988	\$ 47,409	\$ 742,397

See accompanying notes to financial statements.

Township of Benton

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 57,917

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense (17,655)

Change in net assets of governmental activities \$ 40,262

See accompanying notes to financial statements.

Township of Benton

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Benton. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Benton contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township, due to there being no ongoing financial interest or responsibility.

Potterville-Benton Fire Board - The Township of Benton, in conjunction with the City of Potterville has entered into an agreement that created the Potterville-Benton Fire Board. Each municipality appoints three (3) individuals to the governing board of the Board. The municipalities collect and distribute property taxes that are levied by the Board. The Board provides fire and ambulance services to the municipalities.

The financial activities of Potterville-Benton Fire Board are accounted for separately. Separate audited financial statements for the Board are available directly from the Board. The Township distributed \$92,496 to the Board during the fiscal year ended June 30, 2007, for per capita charges and fire protection.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund and nonmajor fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major fund of the Township is:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

6. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

7. Cash, cash equivalents, and investments

Cash and cash equivalents consist of checking and money market accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

8. Capital Assets

Capital assets include land and improvements, buildings, and office and computer equipment. Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 15 years
Buildings	40 - 60 years
Furniture and equipment	5 - 15 years

9. Due From Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for State revenue sharing collected that is still owed to the Township.

10. Property Taxes

Benton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

Township of Benton
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Taxes - continued

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended June 30, 2007, the Township levied .9122 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$82,949,600.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Benton is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Township of Benton
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2007, the carrying amount of the Township's deposits was \$721,983 and the bank balance was \$721,996, of which \$665,052 was covered by federal depository insurance. The remaining balance of \$56,944 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

Governmental activities

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated				
Land	\$ 34,452	\$ -	\$ -	\$ 34,452
Capital assets being depreciated				
Land improvements	59,483	-	-	59,483
Buildings and improvements	388,398	-	-	388,398
Furniture and equipment	<u>47,328</u>	<u>-</u>	<u>-</u>	<u>47,328</u>
Total capital assets being depreciated	495,209	-0-	-0-	495,209

Township of Benton

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C: CAPITAL ASSETS - CONTINUED

Governmental activities - continued

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Less accumulated depreciation for:				
Land improvements	\$(17,978)	\$(4,478)	\$ -	\$(22,456)
Buildings and improvements	(82,157)	(9,710)	-	(91,867)
Furniture and equipment	(38,436)	(3,467)	-	(41,903)
Total accumulated depreciation	(138,571)	(17,655)	-0-	(156,226)
Net capital assets being depreciated	<u>356,638</u>	<u>(17,655)</u>	<u>-0-</u>	<u>338,983</u>
Capital assets, net	<u>\$ 391,090</u>	<u>\$(17,655)</u>	<u>\$ -0-</u>	<u>\$ 373,435</u>

Depreciation expense of \$17,655 was charged to the general government function on the statement of activities.

NOTE D: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, additional equipment, boiler and machinery, official bond and oath, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

NOTE E: RETIREMENT PLAN

The Township of Benton is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The Township of Benton Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed six (6) months of services. Elected officials are not required to fulfill the service requirements. The eligibility computation period is the six (6) month period that begins with the date hired.

The contributions fund the premiums for ordinary life insurance tax deferred annuities and various pooled investment funds with the MetLife Insurance Company.

For the year ended June 30, 2007, the Township of Benton had a total payroll of \$83,748. The Township of Benton Defined Contribution Retirement Plan had a covered payroll of \$58,000. Township of Benton made employer contributions to the retirement plan in the amount of \$7,227.

Township of Benton
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level for the General Fund.

During the year ended June 30, 2007, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Other			
Pension plan contributions	\$ 7,192	\$ 7,227	\$ 35

NOTE G: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the fund balance reserves as of June 30, 2007:

General Fund	
Reserved for prepaids	<u>\$ 8,176</u>
Nonmajor governmental fund	
Reserved for cemetery care	<u>\$ 47,409</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Benton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 83,700	\$ 83,700	\$ 80,428	\$ (3,272)
Delinquent property taxes	5,000	5,000	6,050	1,050
Administrative and collection fees	30,500	30,500	29,986	(514)
Trailer taxes	384	384	375	(9)
Total taxes	119,584	119,584	116,839	(2,745)
Licenses and permits				
Franchise fees	5,300	5,300	5,438	138
Dog license fees	130	130	137	7
Total licenses and permits	5,430	5,430	5,575	145
Intergovernmental				
State revenue sharing	185,000	185,000	185,935	935
Metro maintenance fee	3,600	3,600	3,577	(23)
Total intergovernmental	188,600	188,600	189,512	912
Charges for services				
Cemetery lots and burials	5,200	5,200	6,158	958
Land divisions	300	300	90	(210)
Total charges for services	5,500	5,500	6,248	748
Interest	9,000	9,000	20,005	11,005
Other	400	400	272	(128)
TOTAL REVENUES	328,514	328,514	338,451	9,937
EXPENDITURES				
General government				
Township Board	9,100	9,400	7,603	1,797
Supervisor	27,250	27,250	26,729	521
Clerk	52,850	55,850	46,662	9,188
Board of review	1,000	1,000	420	580
Treasurer	27,950	27,950	26,324	1,626
Elections	8,000	8,000	4,791	3,209
Buildings and grounds	19,100	107,100	19,555	87,545
Cemetery	18,800	22,300	14,519	7,781
Total general government	164,050	258,850	146,603	112,247

Township of Benton

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public safety				
Fire protection	\$ 92,800	\$ 92,800	\$ 92,496	\$ 304
Public works				
Highways, streets, and bridges	40,000	40,000	20,100	19,900
Drains	4,000	4,000	2,622	1,378
Total public works	44,000	44,000	22,722	21,278
Community and economic development				
Planning department	2,300	2,300	1,454	846
Recreation and cultural				
Parks and recreation	-	4,000	4,000	-0-
Other				
Insurance	8,000	8,000	7,360	640
Pension plan contributions	7,000	7,192	7,227	(35)
Contingencies	10,000	9,808	-	9,808
Other	3,000	3,000	2,903	97
Total other	28,000	28,000	17,490	10,510
TOTAL EXPENDITURES	331,150	429,950	284,765	145,185
NET CHANGE IN FUND BALANCE	(2,636)	(101,436)	53,686	155,122
Fund balance, beginning of year	641,302	641,302	641,302	-0-
Fund balance, end of year	\$ 638,666	\$ 539,866	\$ 694,988	\$ 155,122

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS

To the Members of the Township Board
Township of Benton
Pottersville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Benton as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Benton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Township of Benton. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

DETERMINATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

During the course of our audit, we have annually performed a search for unrecorded receivable and payable amounts. As a result of that search, journal entries were suggested to the Township's management for entry into the general ledger. In many instances, the suggested receivable and payable amounts would be considered material to the Township's financial statements.

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. Part of that external financial reporting process is determining the amounts due to the entity as of year-end (i.e., accounts receivable) and amounts due from the entity as of year end (i.e., accounts payable). As a result, a government's ability to prepare financial statements in accordance with generally accepted accounting principles has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

Responsibility for the fair presentation of the Township's financial statements, including the amounts and disclosure within the financial statements, rests with the Township's management. The Township should establish sufficient internal controls to assure that the financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles.

We recommend the Township make determinations of accounts receivable and accounts payable amounts by fund as part of their year-end closing procedures. Documentation supporting the receivable and payable amounts recorded in the general ledger should be retained for audit purposes.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies noted above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This report is intended solely for the information and use of management, the members of the Board of the Township of Benton, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 11, 2007